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SUBJECT: NORTHERNERS REMAIN LOYAL TO "THAKSINOMICS"

REF: A. CHIANG MAI 185 (NORTHERN VILLAGERS EXPECT RTG TO TRY TO LIMIT PPP SUCCESS)
[1B.](#) CHIANG MAI 182 (THAKSIN LOYALISTS POISED TO RECAPTURE NORTH)

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SUMMARY

[¶1.](#) (SBU) In the run-up to the December 23 election, villagers from northern Thailand praise former Prime Minister Thaksin's populist economic policies, especially the Village Fund credit program and the 30 Baht health care plan. Villagers' admiration for these policies present a challenge for the marketing of King Bhumibol's concept of the "sufficiency economy," which many interpret to mean belt-tightening by consumers. With most leading political parties flocking to emulate Thaksin's populist programs, the more decisive factors on election day among northern voters will be personal relationships, vote-buying, and loyalty to Thaksin and his government's track record in making good on its promises. End Summary.

THE GOOD OLE DAYS OF THAKSINOMICS

[¶2.](#) (U) Village leaders across four provinces of northern Thailand expressed satisfaction with the populist economic policies of former Prime Minister Thaksin and his now-banned Thai Rak Thai (TRT) party. Villagers told EconOff and EconLES that northern people are "attached to Thaksin's economic policies." In a trip to Chiang Mai, Chiang Rai, Sukhothai, and Kampangphet provinces, local leaders specified the following economic policies as part of the legacy of Thaksinomics in northern Thailand:

-- The Village Fund: Started in 2001, the Village Fund is a one million baht (approximately \$29,000 USD) fund managed by an elected committee that issues loans to villagers at low interest rates with minimal collateral.

-- The 30 Baht Health Care Plan: The RTG provided subsidized government health care at 30 baht (approximately \$.88 USD) per visit. Following the coup, the new military-appointed government removed the 30 baht fee in an effort to placate villagers, but the sustainability of the health care system is in question, as is the quality of the health care available.

-- Education Fund: Students could request 10,000 baht per person (approximately \$300 USD) from the Government Lottery Officer to support their education.

-- Agricultural Price Supports: The RTG under Thaksin guaranteed high agricultural prices by purchasing agricultural goods to force the price up. For example, while the true market price for rice was about \$117 per ton during the Thaksin

administration, the government price was \$176 per ton, forcing the domestic market price to \$147 per ton.

¶13. (SBU) Villagers credit the success of Thaksin's populist policies to his ability to effectively make civil servants work for the people. That said, however, farmers in particular have little faith that any future government -- regardless of the ruling party -- will be able to solve their economic problems, notwithstanding the recent boom in global commodity prices. These problems include, primarily, the rising costs of inputs such as fuel, fertilizer, and pesticides. Thailand has met recent global rice demand, for example, by selling off rice previously stockpiled during Thaksin's era. According to farmers in Chiang Rai province, they can only rely on "good friends" to support their economic interests now.

THE VILLAGE FUND: THE BEST DEBT MONEY CAN BUY

¶14. (U) The Thaksin administration policy that received the most praise among northern Thai villagers was the Village Fund, which allows village members to borrow money from the fund at a low interest rate and pay back their debt over the course of a year.

The consensus among village leaders was that the Village Fund is a good program that the next government should continue, as the interim government has. Village leaders and members of Village Fund communities praised the fund for three reasons:

-- Money borrowed from the fund could be reinvested locally thus increasing production in the village;

-- Revenue generated from interest payments could be used for village activities or public expenses such as tables and chairs in public parks;

-- The default rate on loans is low because borrowing members know that they must pay back in order for their fellow villagers to get loans.

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¶15. (SBU) Despite all of these benefits of the Village Fund, village leaders and government officials admitted that it has pushed some borrowers into debt. One village leader in a suburb of Chiang Mai stated that there are cases of individuals who borrow from the Village Fund then repay with money borrowed from private loans, thus causing the person to go deeper into debt. Other villagers in Chiang Rai and Sukhothai admitted to such cases in their villages as well. Community development officials in Sukhothai said, however, that although some Village Fund members repay their loans with private loans, they are discouraged from doing so and are encouraged to request assistance from the Village Fund Committee when they cannot repay. Despite these cases, village leaders believe that the Village Fund is a success and contributes to northern Thailand's loyalty to Thaksin's populist economics.

"PEOPLE FIRST!" AND OTHER BROAD ECONOMIC PLATFORMS

¶16. (SBU) Given the sustained popularity of Thaksin's populist economic policies, most leading political parties have flocked to the populist camp. There are no significant differences across the parties' economic platforms, according to members of the Chambers of Commerce in both Chiang Mai and Kampangphet. A Chiang Rai-based candidate of the People's Power Party (PPP - the self-appointed successor party to TRT) stated that even the Democrat Party, the PPP's main rival, has adopted the slogan "People First!" in order to emphasize the populist aspects of its platform. Moreover, with many smaller parties such as Chart Thai and Matchima Thippathai acquiring former TRT members, village leaders say that they are still touting the same populist messages but under new party banners.

17. (SBU) Despite the broad support for populist economic policies among leading political parties, local leaders in northern Thailand believe that none -- even PPP -- will be as efficient in implementing economic initiatives as former PM Thaksin's TRT, which held an overwhelming majority in the last elected parliament. Instead, village leaders believe that personal relationships and vote-buying will be the primary pull factors during the election (Ref A). According to Chiang Rai Rajabhat University political economist Udon Wongtamtip, money and personal relations are equally important in rural areas of northern Thailand. Village leaders in Chiang Mai, Chiang Rai, Sukhothai, and Kampangphet all agreed that the party which pays the most for votes will reap the greatest support in the northern provinces. According to one Chiang Mai University political science professor, people in rural areas believe that all politicians are corrupt. What distinguishes them, he said, is what they give back to the people despite their corruption. Chiang Rai Farmers Network President Pranom Chermchaiyaphum expects the PPP to offer the highest price for votes, though village leaders expect the military-appointed government to target the PPP in its campaign to tackle vote-buying.

THE INSUFFICIENT SUFFICIENCY ECONOMY

18. (SBU) For local government officials in the north, an alternative to Thaksin's widely praised populism is King Bhumibol's concept of the sufficiency economy. Officials from Sukhothai's Office of Community Development lauded the sufficiency economy as built on Buddhist values and the motto "live well and happy" by practicing moderation in consumption. Villagers said that local governments are marketing the concept heavily in northern Thailand as a counterpoint to Thaksin's philosophy that all Thais should have liberal access to credit and modern amenities, such as mobile phones and motorcycles. Despite the fact that the sufficiency economy concept is targeted at farmers, villagers in Kampangphet were skeptical, arguing that it does not apply to poor farmers who must borrow money to spend on inputs (fuel, fertilizer, pesticides, etc.) rather than the luxuries of modern life.

COMMENT

19. (SBU) Broad support for former PM Thaksin's economic populism still holds strong across northern Thailand. With most rival parties parroting the PPP/TRT populist platform, economic policy issues could have a diminished role in voter's decisions on December 23. However, most northern voters remain loyal to Thaksin and generally trust the PPP as the successor to a TRT party that made good on its promises to implement populist policies (Ref B).

MORROW